

CITY OF MILFORD
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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CITY OF MILFORD
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Donald Lamb	Mayor	January 1, 2012
Michael Anderson	Mayor Pro-Tem	January 1, 2014
Keith Feller	Council Member	January 1, 2014
Chris Hinshaw	Council Member	January 1, 2014
Rick Kilts	Council Member	January 1, 2012
Todd Schillinger	Council Member	January 1, 2012
Matthew Skaret	City Administrator/Treasurer	Indefinite
David Stein, Jr.	Attorney	Indefinite

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Milford, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Milford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Milford, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Milford as of June 30, 2011, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Milford as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of The City of Milford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 17 through 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements of the City's primary government for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wintner, Starn & Co., LLP

November 30, 2011

BASIC FINANCIAL STATEMENTS

CITY OF MILFORD
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 529,585	\$ 30,681	\$118,487	
Public works	357,137	3,791	258,021	
Health and social services	5,000			
Culture and recreation	450,522	3,018	35,545	
Community and economic development	30,614	24,972		
General government	350,141			
Debt service	424,579		97,288	
Capital projects	<u>1,141,402</u>		<u>343,500</u>	
Total governmental activities	<u>3,288,980</u>	<u>62,462</u>	<u>852,841</u>	
Business type activities:				
Solid waste	264,485	264,666		
Sewer	<u>98,574</u>	<u>104,424</u>		
Total business type activities	<u>363,059</u>	<u>369,090</u>		
TOTAL	<u>\$3,652,039</u>	<u>\$431,552</u>	<u>\$852,841</u>	

GENERAL RECEIPTS:

Property and other city taxes levied for:	
General purposes	
Debt service	
Tax increment financing	
Unrestricted interest on investments	
Bond proceeds	
Miscellaneous	
Total general receipts	

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

CASH BASIS NET ASSETS

Restricted, expendable:	
TIF supported projects	
Streets	
Capital projects	
Debt service	
Other purposes	
Unrestricted	

TOTAL CASH BASIS NET ASSETS

See Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (380,417)		\$ (380,417)
(95,325)		(95,325)
(5,000)		(5,000)
(411,959)		(411,959)
(5,642)		(5,642)
(350,141)		(350,141)
(327,291)		(327,291)
(797,902)		(797,902)
<u>(2,373,677)</u>		<u>(2,373,677)</u>
	\$ 181	181
	5,850	5,850
	<u>6,031</u>	<u>6,031</u>
<u>(2,373,677)</u>	<u>6,031</u>	<u>(2,367,646)</u>
1,421,013		1,421,013
484,559		484,559
225,493		225,493
18,135	399	18,534
1,350,000		1,350,000
91,207	4,905	96,112
<u>3,590,407</u>	<u>5,304</u>	<u>3,595,711</u>
1,216,730	11,335	1,228,065
<u>2,840,436</u>	<u>89,162</u>	<u>2,929,598</u>
<u>\$4,057,166</u>	<u>\$100,497</u>	<u>\$4,157,663</u>
\$ 404,056		\$ 404,056
65,829		65,829
2,180,240		2,180,240
357,048		357,048
173,107		173,107
876,886	\$100,497	977,383
<u>\$4,057,166</u>	<u>\$100,497</u>	<u>\$4,157,663</u>

See Notes to Financial Statements

CITY OF MILFORD
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

		Special Revenue	
		TIF	
	General	Supported Projects	Road Use
RECEIPTS:			
Property tax	\$ 829,222		
Tax increment financing		\$165,832	
Other city tax	413,818		
Licenses and permits	29,632		
Use of money and property	33,270	1,796	\$ 157
Intergovernmental	125,869		258,021
Charges for service	5,598		
Miscellaneous	107,496		
TOTAL RECEIPTS	<u>1,544,905</u>	<u>167,628</u>	<u>258,178</u>
DISBURSEMENTS:			
Operating:			
Public safety	523,329		
Public works	103,239		253,898
Health and social services	5,000		
Culture and recreation	450,522		
Community and economic development	30,614		
General government	350,141		
Debt service			
Capital projects	16,683	119,746	
TOTAL DISBURSEMENTS	<u>1,479,528</u>	<u>119,746</u>	<u>253,898</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>65,377</u>	<u>47,882</u>	<u>4,280</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds			
Operating transfers in	179,214		28,315
Operating transfers out	(867,420)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(688,206)</u>		<u>28,315</u>
NET CHANGE IN CASH BALANCES	(622,829)	47,882	32,595
CASH BALANCES BEGINNING OF YEAR, AS RESTATED	<u>1,491,233</u>	<u>356,174</u>	<u>33,234</u>
CASH BALANCES END OF YEAR	<u>\$ 868,404</u>	<u>\$404,056</u>	<u>\$ 65,829</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
TIF supported projects		\$404,056	
Streets			\$ 65,829
Capital projects			
Debt service			
Other purposes			
Assigned for other purposes			
Unassigned	<u>\$ 868,404</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$ 868,404</u>	<u>\$404,056</u>	<u>\$ 65,829</u>

See Notes to Financial Statements

Exhibit B

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
	\$484,559	\$177,973	\$1,491,754
		59,661	225,493
			413,818
			29,632
\$ 1,885	6,278	225	43,611
343,500	97,288		824,678
			5,598
		13,630	121,126
<u>345,385</u>	<u>588,125</u>	<u>251,489</u>	<u>3,155,710</u>
		6,256	529,585
			357,137
			5,000
			450,522
			30,614
			350,141
	424,579		424,579
<u>972,275</u>	<u>32,698</u>		<u>1,141,402</u>
<u>972,275</u>	<u>457,277</u>	<u>6,256</u>	<u>3,288,980</u>
<u>(626,890)</u>	<u>130,848</u>	<u>245,233</u>	<u>(133,270)</u>
1,243,287	106,713		1,350,000
1,042,266		108,931	1,358,726
	<u>(312,092)</u>	<u>(179,214)</u>	<u>(1,358,726)</u>
<u>2,285,553</u>	<u>(205,379)</u>	<u>(70,283)</u>	<u>1,350,000</u>
1,658,663	(74,531)	174,950	1,216,730
<u>521,577</u>	<u>431,579</u>	<u>6,639</u>	<u>2,840,436</u>
<u>\$2,180,240</u>	<u>\$357,048</u>	<u>\$181,589</u>	<u>\$4,057,166</u>
			\$ 404,056
			65,829
\$2,180,240			2,180,240
	\$357,048		357,048
		\$173,107	173,107
		8,482	8,482
			<u>868,404</u>
<u>\$2,180,240</u>	<u>\$357,048</u>	<u>\$181,589</u>	<u>\$4,057,166</u>

See Notes to Financial Statements

CITY OF MILFORD
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$264,666	\$104,424	\$369,090
Use of money and property	226	173	399
Miscellaneous	<u>4,521</u>	<u>384</u>	<u>4,905</u>
TOTAL OPERATING RECEIPTS	<u>269,413</u>	<u>104,981</u>	<u>374,394</u>
OPERATING DISBURSEMENTS:			
Business type activities	<u>264,485</u>	<u>98,574</u>	<u>363,059</u>
TOTAL OPERATING DISBURSEMENTS	<u>264,485</u>	<u>98,574</u>	<u>363,059</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	4,928	6,407	11,335
CASH BALANCES BEGINNING OF YEAR	<u>52,432</u>	<u>36,730</u>	<u>89,162</u>
CASH BALANCES END OF YEAR	<u>\$ 57,360</u>	<u>\$ 43,137</u>	<u>\$100,497</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$ 57,360</u>	<u>\$ 43,137</u>	<u>\$100,497</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 57,360</u>	<u>\$ 43,137</u>	<u>\$100,497</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Milford, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. These financial statements present the primary government of the City of Milford but do not include any component units for which it is financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Milford Municipal Utilities is considered a component unit of the City of Milford. The financial statements of this component unit are audited separately and are presented on the accrual basis of accounting. Complete financial statements of Milford Municipal Utilities can be obtained from their administrative offices. Therefore, the City has elected not to include Milford Municipal Utilities in these financial statements.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Assessor's Conference Board, Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Water Quality Commission, Dickinson County Joint E911 Service Board, and Dickinson County Sanitary Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The TIF Supported Projects Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Capital Projects Funds account for bond proceeds to be used for construction of major capital facilities.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general obligation long-term debt.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste utility.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Milford maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

The preparation of financial statements in conformity with an other comprehensive basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Subsequent Events

The City has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds and a sewer revenue bond are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 300,000	\$ 164,921	\$ 40,000	\$ 57,231	\$ 340,000	\$ 222,152
2013	300,000	156,421	50,000	56,031	350,000	212,452
2014	320,000	147,422	50,000	54,531	370,000	201,953
2015	320,000	137,820	50,000	53,031	370,000	190,851
2016	335,000	128,091	55,000	51,532	390,000	179,623
2017-2021	1,530,000	463,300	110,000	230,450	1,640,000	693,750
2022-2026	890,000	246,790	545,000	164,975	1,435,000	411,765
2027-2031	<u>535,000</u>	<u>76,238</u>	<u>450,000</u>	<u>70,000</u>	<u>985,000</u>	<u>146,238</u>
Totals	<u>\$4,530,000</u>	<u>\$1,521,003</u>	<u>\$1,350,000</u>	<u>\$737,781</u>	<u>\$5,880,000</u>	<u>\$2,258,784</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

3. BONDS PAYABLE - Continued

Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,350,000 in sewer revenue bonds issued in June 2011. Proceeds from the bonds provided financing for the construction of sewer line improvements and extensions. The bonds are payable from sewer customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 80% of net receipts. The resolution provides for the creation of a Sinking Fund into which there shall be set aside an amount sufficient to pay the annual principal and interest coming due on those bonds, and a Reserve Fund, which is established at the minimum required amount. The bond holders hold a lien on the future earnings of the sewer utility.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$57,645, \$52,121, and \$46,164, respectively, equal to the required contributions for each year.

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active and no retired members in the plan. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

The medical/prescription drug benefits are provided through a fully-insured plan with Central States Southeast and Southwest. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$884 for both single and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City made no contributions to the retiree benefit plan.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$19,800
Sick leave.....	51,600
Compensatory time	<u>7,100</u>
Total	<u>\$78,500</u>

The liability for compensated absences has been computed based on rates of pay in effect at June 30, 2011.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	\$ 203,161		
Special Revenue:			
LMI Housing Fund	<u>108,931</u>		
	<u>312,092</u>	Debt Service	\$ 312,092
General	<u>179,214</u>	Special Revenue:	
		Employee Benefits	179,214
Road Use	28,315		
Capital Projects	<u>839,105</u>		
	<u>867,420</u>	General	<u>867,420</u>
Total	<u>\$1,358,726</u>	Total	<u>\$1,358,726</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

8. LOCAL GOVERNMENT RISK POOL

The City of Milford is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City of Milford's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$66,484.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

8. LOCAL GOVERNMENT RISK POOL - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of the membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Milford also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

10. CONSTRUCTION CONTRACTS

The City has entered into construction contracts totaling \$1,622,251. As of June 30, 2011, costs of \$257,375 have been incurred on the projects. The remaining \$1,364,876 will be paid as work on the projects progresses. The City intends to pay for these projects from the proceeds of general obligation bonds.

11. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue, Local Option Sales Tax</u>
Balances June 30, 2010, as previously reported	\$1,477,971	\$13,262
Change in fund type classification per implementation of GASB Statement No. 54	<u>13,262</u>	<u>(13,262)</u>
Balances July 1, 2010, as restated	<u>\$1,491,233</u>	<u>\$</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILFORD
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$1,491,754		\$1,491,754
Tax increment financing	225,493		225,493
Other city tax	413,818		413,818
Licenses and permits	29,632		29,632
Use of money and property	43,611	\$ 399	44,010
Intergovernmental	824,678		824,678
Charges for service	5,598	369,090	374,688
Miscellaneous	<u>121,126</u>	<u>4,905</u>	<u>126,031</u>
TOTAL RECEIPTS	<u>3,155,710</u>	<u>374,394</u>	<u>3,530,104</u>
DISBURSEMENTS:			
Public safety	529,585		529,585
Public works	357,137		357,137
Health and social services	5,000		5,000
Culture and recreation	450,522		450,522
Community and economic development	30,614		30,614
General government	350,141		350,141
Debt service	424,579		424,579
Capital projects	1,141,402		1,141,402
Business type activities		<u>363,059</u>	<u>363,059</u>
TOTAL DISBURSEMENTS	<u>3,288,980</u>	<u>363,059</u>	<u>3,652,039</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(133,270)	11,335	(121,935)
OTHER FINANCING SOURCES, NET	<u>1,350,000</u>		<u>1,350,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	1,216,730	11,335	1,228,065
BALANCES BEGINNING OF YEAR	<u>2,840,436</u>	<u>89,162</u>	<u>2,929,598</u>
BALANCES END OF YEAR	<u>\$4,057,166</u>	<u>\$100,497</u>	<u>\$4,157,663</u>

Budgeted Amounts		Final to Total
Original	Final	Variance Positive (Negative)
\$1,113,355	\$1,113,355	\$ 378,399
299,252	299,252	(73,759)
361,200	361,200	52,618
23,100	23,100	6,532
15,425	15,425	28,585
445,818	445,818	378,860
373,900	373,900	788
43,000	69,920	56,111
<u>2,675,050</u>	<u>2,701,970</u>	<u>828,134</u>
635,967	635,967	106,382
340,572	340,572	(16,565)
6,500	6,500	1,500
467,616	467,616	17,094
42,850	42,850	12,236
356,383	371,383	21,242
403,834	423,629	(950)
147,500	1,897,500	756,098
390,436	390,436	27,377
<u>2,791,658</u>	<u>4,576,453</u>	<u>924,414</u>
(116,608)	(1,874,483)	1,752,548
	<u>1,360,000</u>	<u>(10,000)</u>
	(514,483)	<u>\$1,742,548</u>
<u>2,996,204</u>	<u>2,929,598</u>	
<u>\$2,879,596</u>	<u>\$2,415,115</u>	

CITY OF MILFORD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,784,795. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the public works and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MILFORD
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR YEAR ENDED JUNE 30, 2011

	Special Revenue				
	K9 Unit	Employee Benefits	Property Forfeiture	LMI Housing Fund	Total
RECEIPTS:					
Property tax		\$177,973			\$177,973
Tax increment financing				\$ 59,661	59,661
Use of money and property	\$ 36			189	225
Miscellaneous	13,630				13,630
TOTAL RECEIPTS	13,666	177,973		59,850	251,489
DISBURSEMENTS:					
Public safety	6,256				6,256
TOTAL DISBURSEMENTS	6,256				6,256
EXCESS OF RECEIPTS OVER DISBURSEMENTS	7,410	177,973		59,850	245,233
OTHER FINANCING SOURCES (USES):					
Operating transfers in				108,931	108,931
Operating transfers out		(179,214)			(179,214)
TOTAL OTHER FINANCING SOURCES (USES)		(179,214)		108,931	(70,283)
NET CHANGE IN CASH BALANCES	7,410	(1,241)		168,781	174,950
CASH BALANCES BEGINNING OF YEAR		5,567	\$1,072		6,639
CASH BALANCES END OF YEAR	\$ 7,410	\$ 4,326	\$1,072	\$168,781	\$181,589
CASH BASIS FUND BALANCES:					
Restricted for other purposes		\$ 4,326		\$168,781	\$173,107
Assigned for other purposes	\$ 7,410		\$1,072		8,482
TOTAL CASH BASIS FUND BALANCES	\$ 7,410	\$ 4,326	\$1,072	\$168,781	\$181,589

CITY OF MILFORD
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Fire station construction	June 1, 2009	2.50% - 4.75%	\$2,630,000
Street improvements	September 1, 2009	3.00% - 3.60%	1,700,000
Street improvements	May 1, 2010	3.00% - 4.00%	550,000
Total			
Revenue Bond:			
Sewer improvements	June 27, 2011	3.00% - 5.00%	1,350,000

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$2,530,000		\$100,000	\$2,430,000	\$100,461
1,700,000		150,000	1,550,000	53,372
<u>550,000</u>	<u> </u>	<u> </u>	<u>550,000</u>	<u>19,595</u>
<u>\$4,780,000</u>	<u> </u>	<u>\$250,000</u>	<u>\$4,530,000</u>	<u>\$173,428</u>
<u> </u>	<u>\$1,350,000</u>	<u> </u>	<u>\$1,350,000</u>	<u> </u>

CITY OF MILFORD
BOND MATURITIES
JUNE 30, 2011

Year Ending June 30,	General Obligation Bonds			
	Fire Station Construction		Street Improvements	
	Issued June 1, 2009		Issued September 1, 2009	
	Interest Rates	Amount	Interest Rates	Amount
2012	2.500%	\$ 100,000	3.00%	\$ 155,000
2013	3.000	100,000	3.00	155,000
2014	3.000	105,000	3.00	165,000
2015	3.125	105,000	3.00	165,000
2016	3.250	110,000	3.00	170,000
2017	4.000	115,000	3.00	175,000
2018	4.000	120,000	3.25	185,000
2019	4.000	125,000	3.40	185,000
2020	4.000	125,000	3.60	195,000
2021				
2022	4.000	275,000		
2023				
2024	4.150	295,000		
2025				
2026	4.500	320,000		
2027				
2028				
2029	4.750	535,000		
2030				
2031				
Total		<u>\$2,430,000</u>		<u>\$1,550,000</u>

<u>Street Improvements</u>		<u>Revenue Bond</u>		
<u>Issued May 1, 2010</u>		<u>Sewer Improvements</u>		
<u>Interest Rates</u>		<u>Interest Rates</u>		<u>Total</u>
<u>Amount</u>		<u>Amount</u>		
3.00%	\$ 45,000	3.000%	\$ 40,000	\$ 340,000
3.00	45,000	3.000	50,000	350,000
3.00	50,000	3.000	50,000	370,000
3.00	50,000	3.000	50,000	370,000
3.00	55,000	3.000	55,000	390,000
3.00	55,000	3.000	55,000	400,000
3.25	60,000	3.125	55,000	420,000
3.50	60,000			370,000
3.75	65,000			385,000
4.00	65,000			65,000
		4.000	250,000	525,000
				-
				295,000
				-
		4.750	295,000	615,000
				-
				-
				535,000
				-
		<u>5.000</u>	<u>450,000</u>	<u>450,000</u>
	<u>\$550,000</u>		<u>\$1,350,000</u>	<u>\$5,880,000</u>

CITY OF MILFORD
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
RECEIPTS:				
Property tax	\$1,491,754	\$1,360,705	\$1,243,888	\$1,012,195
Tax increment financing	225,493			6,506
Other city tax	413,818	364,434	403,048	397,976
Licenses and permits	29,632	28,047	34,684	40,039
Use of money and property	43,611	23,202	26,436	82,748
Intergovernmental	824,678	470,113	338,920	288,998
Charges for service	5,598	4,969	5,114	4,831
Miscellaneous	<u>121,126</u>	<u>87,404</u>	<u>73,829</u>	<u>77,168</u>
 TOTAL REVENUES	 <u>\$3,155,710</u>	 <u>\$2,338,874</u>	 <u>\$2,125,919</u>	 <u>\$1,910,461</u>
 DISBURSEMENTS:				
Operating:				
Public safety	\$ 529,585	\$ 505,149	\$1,280,653	\$ 451,851
Public works	357,137	370,621	338,493	265,510
Health and social services	5,000	5,000	1,000	1,000
Culture and recreation	450,522	370,900	464,420	360,011
Community and economic development	30,614	26,426	29,458	29,218
General government	350,141	344,955	303,251	285,685
Debt service	424,579	369,947	107,879	98,788
Capital projects	<u>1,141,402</u>	<u>3,501,427</u>	<u>538,593</u>	<u>524,647</u>
 TOTAL EXPENDITURES	 <u>\$3,288,980</u>	 <u>\$5,494,425</u>	 <u>\$3,063,747</u>	 <u>\$2,016,710</u>

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 854,348	\$ 742,912	\$ 678,423	\$ 688,860	\$ 660,441	\$ 603,928
439,576	587,556	513,594	467,036	590,144	377,004
452,801	375,046	381,954	336,188	344,448	301,807
35,620	54,283	23,379	40,417	29,082	14,781
122,466	79,898	34,081	20,278	27,523	55,245
297,225	290,803	308,921	309,545	315,028	327,287
41,218	75,373	16,355	74,897	37,246	338,621
<u>57,989</u>	<u>80,549</u>	<u>191,023</u>	<u>36,479</u>	<u>56,459</u>	<u>36,856</u>
<u>\$2,301,243</u>	<u>\$2,286,420</u>	<u>\$2,147,730</u>	<u>\$1,973,700</u>	<u>\$2,060,371</u>	<u>\$2,055,529</u>
\$ 439,550	\$ 354,577	\$ 439,934	\$ 570,181	\$ 343,782	
405,658	407,159	327,265	373,108	216,472	
2,000	2,100	3,511	1,000	12,736	
315,669	286,487	233,151	247,327	221,370	
38,422	71,418	62,476	75,296	39,188	
296,173	317,285	271,992	289,622	215,694	
134,562	159,643	271,401	217,665	225,759	
<u>730,810</u>	<u>45,126</u>	<u>122,584</u>	<u>117,238</u>	<u>1,024,254</u>	
<u>\$2,362,844</u>	<u>\$1,643,795</u>	<u>\$1,732,314</u>	<u>\$1,891,437</u>	<u>\$2,299,255</u>	*

* Information not available.

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INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford, Iowa as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents, and have issued our report thereon dated November 30, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Milford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Milford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Milford's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Milford's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the primary government of the City of Milford are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the primary government of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Milford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Milford's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Milford and other parties to whom the City of Milford may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Milford during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Starn & Co., LLP

November 30, 2011

CITY OF MILFORD
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

- I-B-11 Financial Institution Accounts Not Reflected in City Financial Records - During our audit, we noted one financial institution account from which expenditures are made without approval by the City Council. The City did not receive the bank statements or any other type of financial reporting for this account and did not include the activity or balance of the account in its monthly financial reports.

Recommendation - We recommend the City Council approve all expenditures from this account. Statements for the accounts should be delivered to City offices and activity and balances in the accounts should be reflected in City financial records.

Response - This account was closed in July 2011

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MILFORD
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting

- II-A-11 Certified Budget - Disbursements exceeded the amount budgeted in the public works and debt service functions. Additionally, disbursements in the capital projects function exceeded the original budgeted amounts before the budget was amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-11 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-11 Business Transactions - No business transactions between the City and City officials or employees were noted.

- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF MILFORD
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting - Continued

- II-H-11 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amount stated in the resolution was exceeded for one financial institution during the year ended June 30, 2011.

Recommendation - We recommend amounts deposited in financial institutions be regularly reviewed for compliance with the depository resolution.

Response - We will monitor the depository amounts in the future and revise the depository resolution to be in compliance.

Conclusion - Response accepted.

- II-I-11 Revenue Bond - No instances of non-compliance with the revenue bond resolution were noted.

- II-J-11 Debt Service Payments - The City made payments from the Debt Service Fund for expenditures other than interest and principal payments. Chapter 384.4 of the Code of Iowa establishes allowable expenditures from the Debt Service Fund.

Recommendation - The City should only make interest and principal payments from the Debt Service Fund as required by the Code of Iowa.

Response - We will make only interest and principal payments from the Debt Service Fund in the future.

Conclusion - Response accepted.